The Fifth Estate

RADIO TELEVISION CABLE SATELLITE

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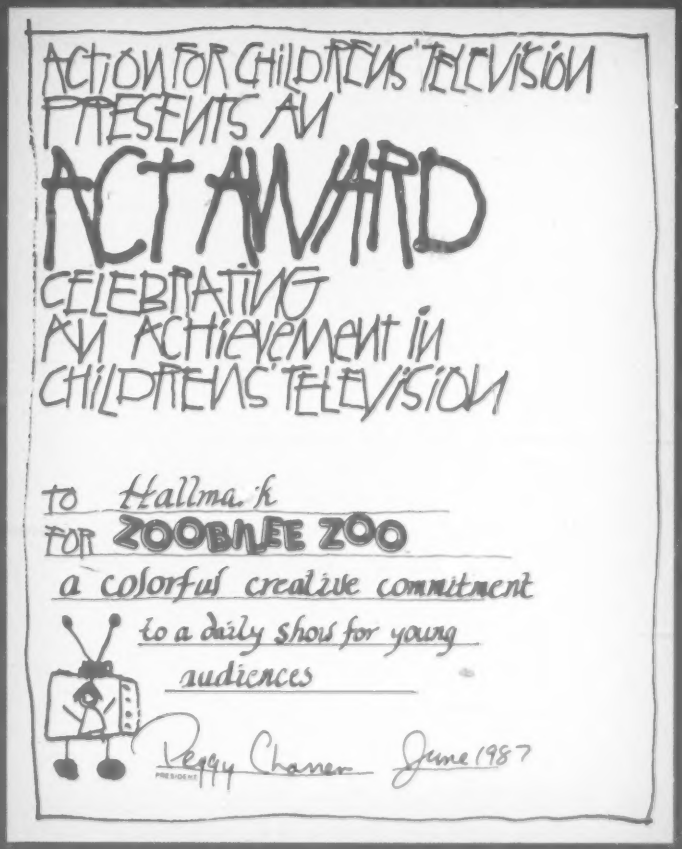

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SATELLITES '87

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Special Report

Satellites!

It's been 25 years since AT&T launched Telstar I, an event that forever changed the face of worldwide communications. It took broadcasters a conspicuously long time to figure out how to implement this new technology, but once they began they haven't stopped. The satellite newsgathering van has been to the 80's what electronic newsgathering was to the 70's, redefining local journalism as stations exponentially expand their coverage areas. And there is the first glimmer of what may redefine journalism in the 1990's—remote satellite sensing. Today it is a novelty, laden with technical, financial and legal dilemmas. But the dramatic pictures that can be obtained from the technology are lighting a fire in many a newsman's eye. And while it once appeared that direct-to-home satellite broadcasting might threaten terrestrial broadcasting and cable, it now appears more likely to complement the older media. A look at these and other satellite issues appears on pages 33 through 61.

With good reason, cable operators and broadcasters have never been fully comfortable with the idea of broadcasting television programing directly to homes via communications satellites. Having invested billions of dollars on earth-bound television media, they understandably feared a medium that has the power to bypass them.

But cable operators and broadcasters are more comfortable than ever with satellite broadcasting because for the next decade, at least, the space-age medium (in any of its various manifestations) is unlikely to compete with broadcasters and cable for the eyes of America. If anything, it will complement cable and broadcasting, providing programing to homes in small towns and rural areas that are unserved or underserved by terrestrial media.

The only kind of satellite broadcasting that exists today in the U.S. comes from the low-power C-band. Some 1.7 million homes have installed C-band earth stations now costing a few thousand dollars each to receive all the varied programing that is transmitted over C-band satellites—everything from scores of cable services to the broadcasters' "backhaul" feeds of baseball and football games.

Between 1980 and 1985, when the home satellite industry experienced its most rapid growth, the dish owners could receive all the programing on the satellites for free. But in January 1986, the major cable programers started scrambling their satellite feeds, making programing off-limits except to those who were willing to pay for it. Buying a dish, even at prices of around $2,000, was no longer the bargain it once was.

Today, with nine cable services scrambled and eight more with plans to scramble this year, the home satellite industry is in trouble. Although the scrambled cable programing is still available, it is apparently not at a price that consumers can justify on top of the $2,000 or so they must pay for a dish and descrambler. According to *Satellite Times*, sales of dishes that in late 1985 hit a rate of 45,000 a month have fallen off to a rate of about 12,000 a month. The number of manufacturers, distributors and retailers of dishes has fallen commensurately.

The home satellite industry blames the cable operators for the state of the marketplace. Without "a smoking gun" to prove it, they charge that operators have used their economic leverage with the programers to prevent the formation of packages priced low enough to keep dish sales brisk. They've been pressuring Congress for legislation that they feel will lead to such low-cost packages.

Another more powerful form of satellite broadcasting using medium-power Ku-band satellites may be in the offing. Because the satellites are more powerful than C-band satellites, the home reception equipment will be cheaper and the dishes will be smaller (around one meter). As a consequence, a Ku-band service could revitalize the home satellite market even if the retail price of the programing stays the same.

HBO and RCA Americom (soon to be GE Americom) have formed a joint venture to build and launch two satellites, Satcom K-3 and Satcom K-4, operating in the Ku-band with frequencies much higher than C-band. Crimson Satellite Associates, as the joint venture is known, hopes it can persuade cable programers to buy transponders on the birds and use them to send simultaneously programing to its cable affiliates and to the home.

Satcom K-3 and Satcom K-4 are in the early stages of construction and, even with full cable industry support, would not be ready for launch before 1989. However, GE Americom is giving programers a chance to make the jump to Ku-band almost immediately, offering leases of transponders on Satcom K-1, a satellite already on orbit, but slightly less powerful than Satcom K-3 and Satcom K-4.

Medium-power satellite broadcasting could provide real competi-

tion to cable operators, but it's not going to happen. HBO is offering cable operators the exclusive home satellite distribution rights to the programing it puts on the satellites (HBO, Cinemax and Festival) within their franchise areas and it's expected any other programers that go aboard the birds would do the same.

The key to Crimson's ambitions, however, may be Tele-Communications Inc. As the nation's largest cable operator and as a heavy investor in several cable programers, including Turner Broadcasting System (superstation WTBS[TV] Atlanta, CNN and CNN Headline News), it can have either a direct or indirect impact on the decision of all of the cable programers. TCI has been fingered as the chief culprit in the failure of C-band satellite broadcasting to develop as a competitor to cable and Crimson realizes that it has to sell TCI on its plans before it can sell any of the programers.

The potential market outside cable franchises is not to be taken lightly. Even though the cable industry is continuing to wire the nation, most industry observers estimate that between 10 million and 20 million homes will never be served by cable. Those homes would be the exclusive market of the satellite broadcasters.

And, finally, there is high-power Ku-band satellite broadcasting using frequencies set aside especially for what the FCC and purists call the direct broadcast satellite service (DBS). With DBS, home dishes become even smaller, perhaps as small as two or two-and-a-

half feet. Many companies have flirted with DBS and Comsat nearly had a system in place before deciding that the risk and cost was too high and that it was better to write off the more than $100 million it had sunk into the project than to go ahead with it. Only two companies are still seriously talking about DBS, Hughes Communications and Hubbard Broadcasting.

Hughes, which is planning a DBS system for launch in 1991, believes if programers want to reach homes directly, DBS is the only way to go. Medium-power satellite broadcasting can't compete with DBS because the DBS dishes will be much cheaper. According to Hughes's analysis, DBS will drive any medium-power service from the market, given comparable programing.

Hubbard Broadcasting, a pioneer broadcasting company, believes DBS is to TV in the 1980's what TV was to radio in the 1940's. Hubbard President Stanley Hubbard preaches the gospel of DBS to fellow broadcasters, hoping they will join him in adopting and underwriting the new medium (see "At Large," page 62). So far, followers have failed to come forward.

The low power road

Hughes Communications and HBO first started thinking about low-power satellite broadcasting, or what they called C-band direct, in the summer of 1983 with the launch of Hughes's Galaxy I, which HBO and other major cable programers had decided to make the primary cable satellite. The satellite was more powerful than any other C-band satellite, and HBO felt that if it could scramble its signals on the bird and persuade others to do the same, it could offer a C-band direct service to home owners and grab a big share of the noncabled market before Comsat or any of the other Ku-band satellite broadcasting venturers did.

HBO talked up the C-band scheme for more than a year, but it never attracted much enthusiasm from the other programers. By the fall of 1984, it was still moving ahead with the scrambling of its services and selling them to dish owners, but it was no longer trying to take a leadership role.

But while HBO was becoming disenchanted by C-band direct, others were becoming fascinated with it. In early 1985, Canaan Communications, a start-up company headed by former cable executive Holmes Harden, stepped forward and offered to pay for the scrambling of cable services in exchange for the exclusive home satellite rights. It was no small offer. By Harden's own estimate, scrambling 15 or so cable services would have cost at least $75 million.

Throughout the spring and summer of 1985, Showtime/The Movie Channel, MTV Networks, ESPN and Turner Broadcasting System talked among themselves about forming a joint venture to sell their services in a package in the rapidly expanding home dish market after the services were scrambled in 1986 or 1987. The Disney Channel and The Nashville Network were also reportedly interested in joining the programing consortium.

Early 1985 also marked a change in the attitude of cable operators toward the scrambling of satellite programing and the home satellite market. The operators, who had watched events unfold in the satellite broadcasting arena as little more than interested spectators, suddenly started demanding that all the major cable services scramble their feeds. They also sought to control the distribution of the scrambled programing to the dish owners.

The operators' interest in the home satellite industry grew out of their concern about the rapid proliferation of dishes, especially within their franchise areas. One study at the time concluded that one-third of the dishes being sold were going into cable areas. The operators were also concerned about the cable programers either on their own or through a third party such as Canaan setting up a C-band direct service that would bypass operators.

The 1985 boom in dish sales is due, in part, to the Cable Communications Act of 1984, which went into effect in December 1984. Although the Act stiffened penalties for unauthorized reception of scrambled signals, it legitimized the reception of unscrambled signals. For the first time, consumers could buy a dish, tune in any unscrambled cable service—none were scrambled at the time—and feel comfortable that they weren't video "pirates."

A study commissioned by the National Cable Television Association for its annual convention in June 1985 concluded that the industry would derive enormous benefits from scrambling. Assuming at least 20 services were scrambled and a marketing infrastructure were in place within a year, it said, operators and programers would realized $400 million over the next five years. "The direct financial benefits come from the sale of scrambled programing to backyard dishes. . . inside and outside of cable franchises and from recovering cable subscribers who would have switched to TVRO if they could receive cable programing for free," it said.

In May 1985, TCI proposed a cable operator consortium to scramble the feeds of all major cable programers and to market the signals to dish owners. Within weeks, the NCTA board adopted the proposal and began talking to lawyers about how they could implement it without running afoul of the antitrust laws.

None of the home satellite consortia talked about in 1985 came to fruition. Programers and operators agreed that Canaan Communications was a "middleman" that nobody wanted or needed. The programers' last hopes of working together were dashed in October when Turner Broadcasting Services announced it was no longer interested in playing along. And NCTA pulled out in November when it saw that its goals were being achieved without its direct involvement.

Setting the pace in program scrambling

When HBO scrambled full time in January 1986, it began selling subscriptions to dish owners through a toll-free number. Other major services followed HBO's lead—Showtime and TMC in May, superstation WWOR-TV New York in June and CNN and CNN Headline News Network in July. Since July 1986, several cable superstations (nationally distributed broadcast signals), Viewer's Choice, ESPN and USA Network have also scrambled.

According to the Satellite Broadcasting and Communications Association, more than 180,000 dish owners are now subscribing to at

least one service. In congressional testimony earlier this month, HBO claimed to have sold 150,000 subscriptions and Showtime-TMC said it had 120,000. Last month, TBS said it had reached the 100,000 mark.

All the programers opted for the same scrambling system as HBO—General Instrument's Videocipher II—making it the industry de facto standard. Having a standard was important so that dish owners could receive multiple services through a single descrambler.

A few cable operators, led by TCI, secured the distribution rights to the scrambled services for their franchise areas and, in some cases, adjacent counties and promised to offer discounted packages of cable programing. Meanwhile, three of the programers—HBO, TBS and Showtime/TMC—began making licensing arrangements with other programers so they could offer national packages to consumers. TBS dropped out of the market last month, but HBO and Showtime/TMC are still at it, carrying their competition in the cable market into the home satellite market.

Showtime/TMC, which has been more aggressive in packaging and marketing for the dish owners, offers a package of 12 basic services—although not all the services are scrambled—as well as Showtime and TMC in a variety of pricing options. For dish owners who are willing to take everything and pay a year in advance, the price comes to just $21.50 a year.

At least three noncable companies, the National Rural Telecommunications Cooperative, Amway Corp. and Home Satellite Services have also tried to license the home satellite rights from the programers to offer packages of their own. To date, only the NRTC has managed to sign up any cable programers. Amway has the rights to the STV program service, SelecTV.

When the cable industry looks at the home satellite market today, it sees a thriving low-power satellite broadcasting business. When the home satellite industry—the manufacturers, distributors and retailers of home satellite dishes—looks at it, it sees a business on the verge of collapse, and it has statistics about declining dish sales and the closing of dish dealerships to prove it.

For help, the home satellite industry has turned to Congress as it has done with mixed success in the past. Among other things, it now wants Congress to require cable programers to license noncable-affiliated packagers to spur competition in the market that will bring down retail prices. It laid out its case earlier this month before the House Telecommunications Subcommittee.

"Showtime/TMC does not sell to independent-of-cable third parties," said Fred Finn, a Washington attorney representing the Home Satellite Television Association. "Neither does HBO, Cinemax, Disney or ESPN. Unless these practices are changed, the home satellite industry will exist, if at all, as a poor stepchild of the cable television industry. The consumer will be denied the choice, which technology has provided."

David Wolford, president of Home Satellite Services, told the subcommittee that "'programers like HBO and Viacom derive the vast majority of their revenue from cable operators. Are they really going to undercut the prices of their primary customers?...The market is moving into a dangerous situation. If present conditions are allowed to continue, home satellite TV will be controlled by its natural competitor, cable TV."

The NRTC is the only so-called "third-party" to put together any kind of programing package for the dish owners. But NRTC Chief Executive Officer Bob Phillips complained to the subcommittee that NRTC has been unable to strike a deal with any of the pay programers and ESPN and has been discriminated against by the basic programers that it has made deals with in terms and pricing. "Some of the contracts we have entered into exceed the cable wholesale price by 500% to 700% or more," he said. "We see no justification for this tremendous price differential. In order to obtain contracts, in some instances, we have also been required to accept restrictions in the marketplace we serve and the administrative service we may provide," he said.

Speaking for the cable industry, NCTA President Jim Mooney told Congress that the home satellite industry demands for regulation of the marketplace are unwarranted. "Cable programing is readily available to home dish owners at prices less than those paid by the average cable subscriber for the same service," he said.

For the past two years or more, the trade press has reported numerous complaints from mostly unnamed cable programers about how cable operators have intruded on the programers' scrambling and home satellite marketing planning. Publicly, the programers acknowledged that they favor cable operators in setting up their C-band direct distribution schemes, but say there is nothing collusive or illegal about it. It doesn't make sense for cable programers to compete with their established local distributors—the cable operators—any more than it does from General Motors to compete with the local Chevrolet dealer. Also, they say, vertically integrated companies like Time Inc. and Viacom are not going to jeopardize their valuable cable operations by aggressively promoting satellite broadcasting as a competitive medium.

One programer involved in trying to set up the TBS-ESPN-MTV Networks consortium in 1985 said that effort failed not because of pressure from operators, as some press reports speculated, but because of the inability of the parties—cable marketplace competitors—to agreed to terms on how to market the service and, more important, how to split the revenues. "Everyone thought his service was the most important one," he said.

A large part of the home satellite industry suffering today may have been self-inflicted, said Steve Shulte, executive vice president and general manager, Viacom Satellite Networks. The infrastructure of the industry grew up during a time when the "basic selling argument was erroneous"—that cable programing was available at no charge. When services started to scramble, he said, sales were no longer great enough to support the industry.

Those in the home satellite industry who thought the cable operators had too much of a role in shaping the C-band direct business were counting on the Justice Department, which opened an investigation into possible collusion between operators and programers to prevent competition. But Charles Rule, acting assistant attorney general, antitrust division, told the House Telecommunications Subcommittee that its "investigation has not uncovered the existence of any illegal concerted activity among cable operators" to pressure programers to scramble. He also indicated that although the Justice Department was keeping its parallel investigation into collusion in the marketing of the scrambled services open, it was going to allow the marketplace to evolve further before deciding whether to press the investigation.

In addition to help in establishing third-party distributors of cable programing to dish owners, the home satellite industry wants at least one more favor from Congress—passage of copyright legislation that would set up a copyright license for the distribution of local broadcast signals to dish owners. Whether broadcast signals can be distributed to dish owners under current copyright law is a question that is being hotly disputed. Indeed, Satellite Broadcast Networks, a New York-based start-up company, is being sued by the broadcast networks and their affiliates for distributing three network affiliated stations to dish owners.

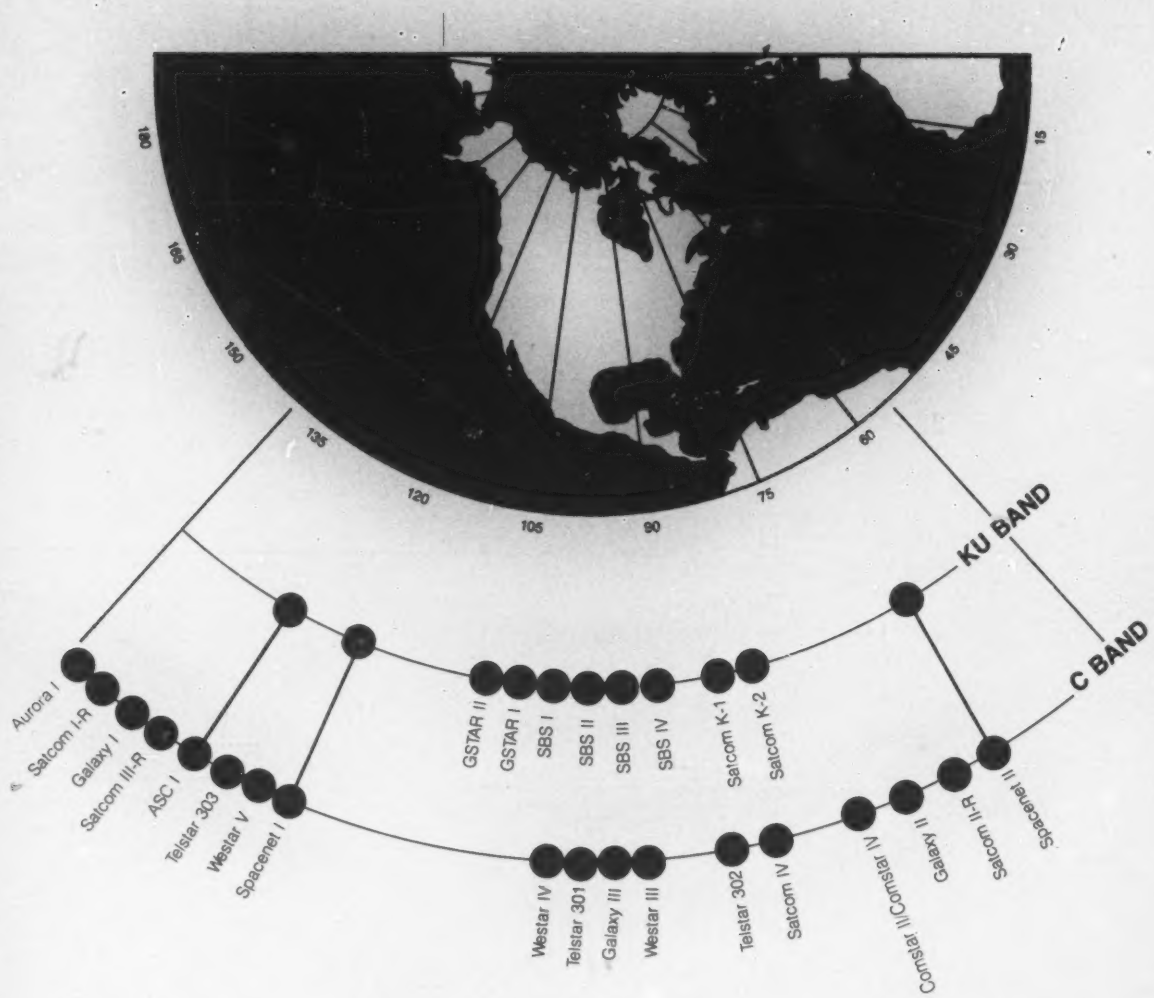
The history of medium power DBS

Medium-power Ku-band broadcasting is not a new concept. Several companies, including TCI, have seriously considered entering the business, and one actually did with dire consequences for its investors. In 1983, while HBO tried to bring cable programers together to offer a C-band service, Comsat and two start-up companies, United Satellite Communications Inc. and Inter-American Satellite Television, planned medium-power Ku-band service. Of the three, only that of USCI ever came to fruition.

Backed by Prudential Insurance and, to a lesser extent, by General Instrument, USCI charged into the marketplace in November 1983, offering a five-channel service in the Northeast using Telesat Canada's Anik C-II satellite. The service was marketed in several cities, beginning with Indianapolis. The initial retail price for the service, which included proprietary movie and music video service along with ESPN, was $39.95 on top of an installation fee of $300.

Although the price of the service came down, USCI failed to attract enough subscribers and revenues to put a dent in its high overhead and convince potential investors that the service had a future. In 1984, Prudential failed to raise $40 million through a private placement or find a partner to share the risk and costs. With about 10,000 subscribers, USCI went bankrupt in April 1985.

Comsat had planned to launch a medium-power service using SBS IV in late 1984 or early 1985 so that it could enter the satellite



Satellite guide to the sky

Carrier	Satellite	# of Ku-band trans.	# of C-band trans.	Orbital slot	Launch date
American Satellite					
1.	ASC I	6	18	128	Aug. 1985
AT&T					
2.	Telstar 301	—	24	96	July 1983
3.	Telstar 302	—	24	86	Sept. 1984
4.	Telstar 303	—	24	125	June 1985
Comsat					
5.	Comstar II*	—	24	76	July 1976
6.	Comstar IV*	—	24	76	Feb. 1981
GTE Spacenet					
7.	Spacenet I	6	18	120	May 1984
8.	Spacenet II	6	18	69	Nov. 1984
9.	GSTAR I	16	—	103	May 1985
10.	GSTAR II	16	—	105	March 1986
Hughes					
11.	Galaxy I	—	24	134	June 1983
12.	Galaxy II	—	24	74	Sept. 1983
13.	Galaxy III	—	24	93.5	Sept. 1984
IBM					
14.	SBS IV	10	—	91	Aug. 1984
RCA Americom					
15.	Satcom I-R	—	24	139	April 1983
16.	Satcom II-R	—	24	72	Sept. 1983
17.	Satcom III-R	—	24	131	Nov. 1981
18.	Satcom IV	—	24	83	Jan. 1982
19.	Satcom V (Aurora I)**	—	24	143	Oct. 1982
20.	Satcom K-1	16	—	85	Jan. 1986
21.	Satcom K-2	16	—	81	Nov. 1985
MCI Communications					
22.	SBS I	10	—	99	Nov. 1980
23.	SBS II	10	—	97	Sept. 1981
24.	SBS III	10	—	95	Nov. 1982
Western Union					
25.	Westar III	—	24	91	Aug. 1979
26.	Westar IV	—	24	99	Feb. 1982
27.	Westar V	—	24	122.5	June 1982

*Comstar II and Comstar IV are co-located in same orbital slot. Although each satellite has 24 transponders, only 24 can be used at one time.

**RCA operates Satcom V, but it has sold the capacity to Alascom, which renamed the satellite Aurora I.

broadcasting before its high-power DBS birds were ready and avoid further erosion of the market to USCI and purveyors of C-band equipment. When Comsat finally bailed out of the satellite broadcasting business altogether in November 1984, it had an agreement in principal to join forces in the business with USCI.

After attracting the interest and backing of media mogul Rupert Murdoch, Inter-America Satellite Television became Skyband Inc. and began planning a five-channel medium-power service over Satellite Business System's SBS III for the spring of 1984. However, just as USCI was going to market in November 1983, Murdoch pulled the plug on the venture, citing the lack of low-cost reception equipment and programing and insufficient power of SBS III. To get out of its contract with SBS, Murdoch had to pay it $12.7 million.

Although USCI was a marketplace flop, it proved the technology. As its subscribers will attest, USCI delivered good quality pictures to one-meter dishes. Some of those dishes can still be found on roof tops in Indianapolis and Washington and in other communities where the USCI marketed its service.

That USCI lasted as long as it did is due in part to TCI. Throughout March 1985, it poured a few hundred thousand dollors to keep the service afloat while it tried to decide whether it wanted to buy the operation and enter the satellite broadcasting business. At the time, TCI President John Malone said satellite broadcasting could be an "adjunct" to the cable business and that, with TCI's help, USCI could be a more attractive (less expensive) way for consumers to receive cable programing once it is scrambled.

HBO first became interested in medium-power satellite broadcasting some time in 1984. According to industry sources, HBO and Viacom International formed a joint venture in 1984 to acquire Ku-band capacity and offer their cable services (and possibly others) directly to the home.

The deal ultimately came apart because, the sources say, Time Inc. officials felt that Time-owned HBO had given up too much to Viacom, its arch foe in the pay television business. Some have tied Frank Biondi's ouster as chairman and chief executive officer of HBO in the fall of 1984 to his preoccupation with satellite broadcasting in general and to the Viacom deal in particular.

In the spring of 1985, Viacom was one of many that looked closely at buying all of part of USCI before deciding to pass. Viacom officials said they were invited to join HBO and RCA in their Ku-band plans in the summer of 1986, but opted not to. Since then, Viacom has been pushing C-band for distributing programing to cable affiliates and homes.

HBO struck its initial Ku-band satellite deal with GE Americom in December 1985, but it wasn't until more than a year later that it publicly admitted that a selling point had been the Ku-band birds' satellite broadcasting capability. Last February, Robert Zitter, vice president, operations, HBO, told BROADCASTING that he had been urging the cable industry to embrace Ku-band before others did so. "Let's go grab the technology and use it so we cannot be leapfrogged by others who don't have an investment in our business and [who won't stop] at the franchise line," he said.

Because of the operators' concern about Ku-band signals, cable programers looking at the Crimson transponders have to convince their cable affiliates that Ku-band satellite broadcasting is more of an opportunity than a threat. To that end, HBO has promised cable operators exclusive Ku-band distribution rights within their franchise areas and non-exclusive rights outside the franchise areas. HBO is now reportedly trying to formalize a marketing agreement with TCI and some of its other major affiliates. According to Ed Horowitz, senior vice president, technology and broadcast operations, HBO, every programer who chooses to buy transponders from Crimson and enter the satellite broadcasting business will have to work out its own arrangements with its affiliates.

Even if the cable operators are appeased, Crimson may fail to attract a critical mass of cable programers to justify the completion of construction and launch of Satcom K-3. First of all, programers who have looked at the Crimson offering are suffering from sticker shock. Although Crimson is willing to negotiate price and financing, its asking price is $29.5 million for one transponder (for 10 years of

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service) and $28 million each for two or more. By comparison, in the early 1980's, cable operators purchased transponders on Galaxy I for at an average of about $10 million each.

The other problem is Viacom International, HBO's principal competitor in the cable programing business, and Hughes Communications, one of GE Americom's principal competitors in the satellite business. While HBO and RCA are pushing the industry to move to Ku-band, Viacom and Hughes are encouraging it to stay with C band, which served the industry since it first adopted satellite technology for distributing programing in 1975.

In November 1986, Viacom tentatively leased 21 C-band transponders on AT&T's Telstar 303, a relatively new satellite promising users service into the mid-1990's, figuring on using half for its programing services and subleasing the balance to other programers. Five month later, it reneged on the AT&T arrangement and struck a deal with MCI Communications for seven of its transponders on Hughes Communications' Galaxy III, another satellite capable of providing service into the middle of the next decade. The Weather Channel, C-SPAN and the new PPV Network being put together by a group of cable operators have also leased transponders on the satellite.

Andrew G. Setos, senior vice president, engineering and operations, Viacom Network Group, said Crimson's Ku-band technology is fine for satellite broadcasting, but for a number of reasons it's "dramatically inferior" to C-band for distribution of cable programing to cable affiliates. A switch to Ku-band technology would be an expensive move for programers and operators and it would result in no improvement in signal quality being delivered to the cable headends, he said. In fact, he said, it could result in signal degradation because of the susceptibility of the Ku-band signals to rain—a phenomenon known as rain fade.

And, according to Setos, the ability to deliver signals to small dishes on homes and apartment buildings, as the Ku-band satellite can do, does not offset the negatives. "I think it is misadvised to jeopardize the cable business for an unknown market," he said.

Hughes is working hand-in-hand with Viacom, promising to build additional C-band satellites if the cable programers commit to using in advance of their use. Hughes President John Koehler considers the decision of Viacom and other programers to stay with C-band instead of going to Ku-band "of strategic significance in our competition with RCA."

Crimson, of course, believes it does make sense for programers to step up to Ku-band gradually over several years. "It offers the freedom of choice for the future," said HBO's Horowitz. "Unlike C-band, where you are constrained where you can drop a dish because of the frequency interference problems, Ku-band allows you to go into the corners and get the smaller pocket of subscribers whether they are homes or a little hotel with 30 rooms because because [the reception equipment] is less expensive than it was before."

As for the cost, Horowitz acknowledged that Ku-band satellites will be slightly more expensive than C-band satellites, but, in the case of the Crimson satellites, the cost difference will become negligible when the Crimson intersatellite protection scheme in taken into account. Programers of Satcom K-3 will be protected not only by an in-orbit shadow satellite, but also by a ground spare.

To help programers cope with the high price of the Crimson capacity, Horowitz said, Crimson is offering programers various financing options, such as stretched payment schedules. Also, he said, Crimson is willing to cut a special deal with a major cable programer that want to step up and be the the satellite's second anchor. "We have a shopping mall. We have one anchor called HBO. We wou'd like another anchor and for that other anchor we are willing to be very flexible," he said. "If you are not the other anchor, then you are not going to get the best deal."

While low-power and medium-power satellite operations are, in essence, alternative media for cable programing, DBS as envisioned by Hughes and Hubbard is a new source of programing that could be competitive with cable and broadcasting.

Hughes's Koehler said that Hughes is talking to "studios and broadcasters" as well as to cable programers about using the capacity on its proposed 32-channel DBS system. If the system's users' programing is "appealing enough" they could find some subscribers in cabled areas. "In some areas," he said, "there would be overlap."

Hubbard also talks about broadcasters and studios as potential users of USSB's system. "If DBS distributes a movie [for a studio], there is no local cable company," Hubbard said. "Paramount gets 50 cents out of the dollar right off the top. A major Hollywood producer, one of the big three, told me last year: 'Stanley, you get those satellite launched, and you get just a million homes, and you can put a card table up on Sunset Boulevard, and everybody will be lined up to sign up.' And, he said, 'I'll be at the head of the line.'"

Koehler doesn't believe medium-power satellite broadcasting can preempt high-power DBS. Hughes market research strongly suggests that the home reception of DBS would be so much smaller and cheaper than that of medium-power satellite broadcasting, he said, that consumer would opt in droves for the high-power service. "It's a price-elastic market," he said.

One of the reasons Comsat's DBS venture flopped was the lack of low-cost home reception equipment. That's not likely to be a problem for any domestic DBS service in the future because government-subsidized DBS ventures in Europe and Japan will create a demand for reception equipment there that will help insure a good supply in the U.S. when the need for it arises (see story, page 60).

Satellite broadcasting is an awesome concept. A satellite's signal can reach most of the homes in the country, whether in the heart of a rust-belt city, a hollow of West Virgina or atop a mountain in Colorado. Even if satellite broadcasting doesn't compete head-to-head with cable, it has potential as a complementary service, delivering programing to all the homes beyond the reach of cable systems.

Low-power C-band satellite broadcasting seems to have run into trouble. Anticompetitive cable operators, poor inherent economics or some combination of the two have put its future in real jeopardy. Legislation may or may not be the solution.

Medium-power satellite broadcasting could be a boon to cable programers. Whatever premium they pay for the Ku-band transponders they could easily recoup if they manage to sign up just a million or two satellite broadcasting subscribers. What's more, the advertiser-supported cable services would broaden their advertising base with each new subscriber, making them more competitive with the broadcast networks for national advertising dollars.

If not preempted by medium-power satellite broadcasting, high-power DBS could have its day some time in the mid-1990's when the cable programers are ready to lead the way. Stanley Hubbard thinks it can come sooner without cable programers, but, for that to happen, he'll have to convince broadcasters and others to take some risks few are used to.

Today, around 1.7 million Americans receive television directly from a communication satellites. One way or another, that number is likely to increase—how much will be determined, in large part, by the interests of the established media and the caprices of the marketplace.

By Harry Jessell

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DGA strikes, settles

Walkout that could have crippled TV and movie industries lasts just five minutes in Los Angeles; 10% TV raise, new residual formula in agreement

If this were a movie, not one of the 8,420 members of the Directors Guild of America could have come up with a better Hollywood ending: Less than a half hour after picketing began in front of The Burbank Studios, where Columbia Pictures and Warner Bros. are headquartered, a driver passes by and hollers for about 100 strikers to put down their picket signs. Negotiators for the guild and producers had just agreed on a tentative three-year contract. Directors at first act surprised, then elated, at the news that the selective strike against the two studios and NBC-TV is over, as is the threat of a lockout by more than 200 other companies, CBS and ABC.

In what may stand as the shortest strike in the history of the entertainment business, the DGA and Alliance of Motion Picture and Television Producers settled their differences last Tuesday (July 14) and struck a tentative agreement, averting a lengthy work stoppage that could have crippled the television and movie industries.

A mail-in ratification vote on the new pact—which provides a 10% raise in the existing minimum 15-day guaranteed wage of $17,935 for prepatory work on hour action-/adventure episodes, no residual roll-backs and the introduction of a new percentage-based residuals formula for the syndication market—was scheduled. But most guild members on the picket lines expressed confidence in their negotiating team and said they anticipated the contract would be approved.

The accord, reached at 6:05 a.m. PDT after an all-night 10-hour bargaining session with producers, followed by three-and-a-half hours a tentative agreement worked out by the guild in separate staff negotiations with NBC. The network, which would have been faced with filling vacant DGA posts in addition to the 2,800 left empty by the National Association of Broadcast Employes and Technicians strike, had broken away from CBS and ABC to engage in separate talks involving about 250 of its guild employes. CBS had threatened to lock out both freelance and staff directors in the event of a strike against NBC, while ABC officials said they would prohibit freelancers from working there.

While the DGA's network negotiating committee vote in favor of the new agreement was not unanimous, it was passed by a

NBC continues summer streak

NBC won the prime time week (ended July 12) with a 10.6 rating and a 22.4 share. CBS came in second with a 10.5/20.3. ABC finished the week with a 9.8/18.9. A year ago the finishing order was NBC 12.2/23, CBS 12.0/23 and ABC 10.1/19.

In the evening news race, NBC remained in the lead by closing out the week with a 10.4/23 over ABC's 9.5/20 and CBS's 9.1/20. Last year it was at tie between CBS and NBC with 10.0/22 each, and ABC 9.7/21.

NBC took only three nights for the week, Monday, Thursday and Saturday, while both ABC and CBS took two apiece. ABC took Tuesday and, uncustomarily, Friday. The Friday win for ABC came from the 12.5/26 (19th place) posted by the *ABC Friday Night Movie, Consenting Adults*, as well as the 9.3/21 for *Sledge Hammer*, from 8 to 8:30 p.m. and the 10.2/23 posted by *Mr. Belvedere* from 8:30 to 9 p.m. CBS took Wednesday and Sunday.

Rank	Show	Network	Rating/Share
1.	Family Ties	NBC	21.0/39
2.	Cosby Show	NBC	20.7/40
3.	Sunday Movie	CBS	17.1/31
4.	Murder She Wrote	CBS	16.9/33
5.	Growing Pains	ABC	16.8/30
6.	Cheers	NBC	16.4/31
7.	Monday Night Movies	NBC	16.3/28
8.	Who's the Boss	ABC	16.1/30
9.	60 Minutes	CBS	16.0/34
10.	Valerie	NBC	15.6/28
11.	Matlock	NBC	15.5/28
12.	Moonlighting	ABC	14.9/26
13.	Equalizer	CBS	14.8/28
13.	Golden Girls	NBC	14.8/32
13.	ALF	NBC	14.8/28
16.	Designing Women	CBS	13.4/23
17.	Newhart	CBS	12.9/22
18.	Tuesday Movie	CBS	12.6/22
19.	Friday Movie	ABC	12.5/26
20.	20/20	ABC	12.3/22
21.	Amen	NBC	12.2/26
22.	L.A. Law	NBC	12.1/22
23.	Hunter	NBC	11.9/26
23.	Molly Dodd	CBS	11.9/22
25.	Night Court	ABC	11.6/22
26.	Tuesday Movie of the Week	NBC	11.3/20
26.	Sweet Surrender Special	NBC	11.3/21
28.	Head of the Class	ABC	11.2/22
28.	Cagney & Lacey	CBS	11.2/20
30.	Good Morning, Miss Bliss	NBC	11.1/25
31.	Perfect Strangers	ABC	11.0/23
31.	Magnum P.I.	CBS	11.0/21
31.	Thursday Movie	CBS	11.0/20
34.	Kate & Allie	CBS	10.9/20
35.	St. Elsewhere	NBC	10.7/20
36.	My Sister Sam	CBS	10.5/19
37.	Mr. Belvedere	ABC	10.2/23
38.	Sunday Movie	ABC	10.1/19
39.	Highway to Heaven	NBC	9.7/20
40.	Sledge Hammer	ABC	9.3/21
40.	Mike Hammer	CBS	9.3/19
40.	Sunday Night Movie	NBC	9.3/17
43.	Jennings/Koppel Report	ABC	9.2/16
44.	Monday Night Baseball	ABC	9.0/16
45.	MacGyver	ABC	8.9/17
46.	Facts of Life	NBC	8.5/20
47.	Disney Sunday Movie	ABC	8.3/18
48.	Rags to Riches	NBC	8.1/16
49.	Summer Playhouse	CBS	7.9/18
50.	Hotel	ABC	7.5/14
51.	Saturday Night Movie	ABC	7.4/16
52.	Major League Baseball (Fri.)	NBC	7.3/16
53.	Scarecrow & Mrs. King	CBS	7.2/14
54.	Twilight Zone	CBS	6.5/13
55.	Baseball, pregame (Fri.)	NBC	6.4/16
56.	Starman	ABC	6.3/12
56.	Our House	NBC	6.3/13
58.	Wizard	CBS	6.2/11
59.	Our World	ABC	6.0/11
60.	Webster	ABC	5.9/14
61.	West 57th	CBS	5.8/13
62.	Dallas	CBS	5.5/12
63.	Saturday Movie	CBS	4.1/9

*indicates premiere episode

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stone, both Montana (KXXL: 1450 khz; 1 kw-D; KWYS: 920 khz; 1 kw-D)—Seeks assignment of license from Serendipity Broadcasting Inc. to GNP Inc. for assumption of liabilities. Seller is principally owned by John Bronken and family, who have no other broadcast interests. Buyer is owned by Gary N. Petersen and Corrine Zickovich, who have no other broadcast interests. Filed June 30.

■ KQSR(AM) Williston, N.D. (660 khz; 5 kw-D)—Seeks assignment of license from Basin Broadcasters Inc. to Charles L. Scofield for $71,918. Seller is headed by Duane Simpson and also owns co-located KDSR(FM). Buyer owns KEYZ(AM)-KYYZ(FM) Williston, and KLPZ(AM) Parker, Ariz. Filed June 30.

■ WGTN(AM)-WAZX(FM) Georgetown, S.C. (AM: 1400 khz; 1 kw-U; FM: 106.3 mhz; 3 kw; HAAT: 360 ft.)—Seeks assignment of license from Seacoast Broadcasting Corp. to Beach Broadcasting of South Carolina Inc. for $1.1 million. Seller is owned by Richard T. Laughridge, Charles S. Morris and J. William Nichols. It has no other broadcast interests. Buyer is owned by Stewart Freeman and Robert Simpkins. It also owns WWBD(AM)-WWLT(FM) Bamberg-Denmark, S.C., and WPFR-AM-FM Terre Haute, Ind. Filed June 25.

■ WSJC-AM-FM Magee, S.C. (810 khz; 50 kw-D; 5 kw-N; FM: 107.5 mhz; 100 kw; HAAT: 490 ft.)—Seeks assignment of license from Southeast Mississippi Broadcasting Co. to CSB Communications Inc. for $2.2 million. Seller is Magee, Miss.-based group of two AM and two FM's owned by Jeannette Mathis, her sons, Robin and Ralph, and J.B. Skelton. Buyer is owned by Craig Scott and Stephen Vunyard. Scott was general manager of WREC(AM)-WEGR(FM) Memphis. Vunyard is president of Clayton Webster Corp., St. Louis-based radio syndication firm. It has no other broadcast interests. Filed June 24.

Actions

■ KZRQ(TV) Pine Bluff, Ark. (CP)—Granted app. for assignment of license from KIKX Inc. to Agape Church Inc. for $40,611. Seller is principally owned by Charles Ray Shinn, who also has interest in KIKX(FM) El Dorado, Ark. Buyer is owned by H.L. Caldwell; his wife, Jeanne, and Mary S. Keleman. It has no other broadcast interests. Action June 30.

■ WGTH(FM) Richlands, Va. (105.5 mhz; 450 w; HAAT: 800 ft.)—Granted transfer of control of High Knob Broadcasters Inc., debtor-in-possession, to The Brown Family Group for assumption of liabilities. Seller by has no other broadcast interests. Buyer is owned by Laurence R. Brown and family. It also owns WKGK(AM) Saltville, Va. Action July 6.

Summary of broadcasting as of April 30, 1987

Service	On Air	CP's	Total *
Commercial AM	4,878	170	5,048
Commercial FM	3,959	418	4,377
Educational FM	1,265	173	1,438
Total Radio	10,102	761	10,863
FM translators	1,115	766	1,881
Commercial VHF TV	543	23	566
Commercial UHF TV	467	222	689
Educational VHF TV	113	3	116
Educational UHF TV	197	25	222
Total TV	1,320	273	1,593
VHF LPTV	247	74	321
UHF LPTV	162	136	298
Total LPTV	409	210	619
VHF translators	2,981	145	3,126
UHF translators	1,998	293	2,291
ITFS	250	114	364
Low-power auxiliary	824	0	824
TV auxiliaries	7,430	205	7,635
UHF translator/boosters	6	0	6
Experimental TV	3	5	8
Remote pickup	12,338	53	12,391
Aural STL & intercity relay	2,836	166	3,002

* Includes off-air licenses.

New Stations

Applications

AM's

■ Fort Pierce, Fla.—Linda Adams seeks 1030 khz; 5 kw-D; 1 kw-N. Address: 4358 Grenholme Dr., Sacramento, Calif. 95842. Principal has no other broadcast interests. Filed June 29.

■ Oviedo, Fla.—Marcelina Colina seeks 1030 khz; 25 kw-D; 500 w-N. Address: 7524 S.W. 179th Terrace, Miami 33157. Principal has no other broadcast interests. Filed June 29.

■ Cloverdale, Va.—Golden Rule Organization Workshop Inc. seeks 820 khz; 2.3 kw-D; 200 w-N. Address: 201 Progress St., Blacksburg, Va. 24060. Principal is nonprofit corporation headed by Virginia L. Baker. Baker owns WBZI(AM)-WLGY(FM) Xenia, Ohio, and WKGM(AM) Smithfield, Va. Filed June 20.

■ Dublin, Va.—Edward A. Baker seeks 810 khz; 1.4 kw-D. Address: P.O. Box 889, Blacksburg, Va. 24060. Principal is son of principal in above application. Filed June 29.

FM's

■ Camden, Ala.—Camden Broadcast Associates seeks 102.3 mhz; 3 kw; HAAT: 328 ft. Address: 415 N. College St., Greenville, Ala. 36037. Principal is owned by Dr. LaBaron A. Foster, Norman Figures and Paul H. Reynolds. Reynolds owns WAJO(AM)-WJAM(FM) Marion, Ala. Filed July 8.

■ Soldotna, Alaska—Gold Nugget Broadcasting Inc. seeks 96.5 mhz; 10 kw; 265.7 ft. Address: 374 Lovers Lane, 99669. Principal is owned by Paul and Linda Barr and Michael and Janet Freeman. It also owns co-located KCSY(AM). Filed June 30.

■ Phoenix—Radio Alliance Phoenix seeks 89.5 mhz; 100 w; HAAT: 1,649.5 ft. Address: 2719 E. Corona, 85040. Principal is owned by Clara Smith, and four others. It has no other broadcast interests. Filed June 29.

■ Eagar, Ariz.—Rex K. Jensen seeks 92.5 mhz; 100 kw; HAAT: 984 ft. Address: Box 368, Kanab, Utah 84741. Principal owns KHIL(AM)-KWCX(FM) Willcox and KJCY-AM-FM Mountain Home, Idaho. Filed June 30.

■ Morgan Hill, Calif.—Ethnic Radio of Los Banos Inc. seeks 96.1 mhz; 500 w; HAAT: 774.1 ft. Address: 1426 Shortridge Ave., San Jose, Calif. 95116. Principal is owned by Batista S. Viera and his wife, Delores. It also owns KLBS(AM) San Jose, Calif. Filed June 29.

■ Silver Springs, Fla.—Silver Springs-Ocala Broadcasting Inc. seeks 95.5 mhz; 3 kw; HAAT: 328 ft. Address: 1304 Northeast 33rd Ave., Apt. B, Ocala, Fla. 32670. Principal is owned by J.M. Robbins and his brother, Phillip. Phillip has interest WOSH(AM)-WMGV(FM) Oshkosh, Wis., and slight interest in six AM's and five FM's. Filed June 30.

■ Silver Springs, Fla.—Ocala Radio Inc. seeks 95.5 mhz; 3 kw; HAAT: 328 ft. Address: 1813 Oakley Ave., Fort Myers, Fla. 33901. Principal is owned by Michael P. Joyce, who has no other broadcast interests. Filed June 30.

■ Silver Springs, Fla.—A.P. Walter seeks 95.5 mhz; 3 kw; HAAT: 328 ft. Address: 235 Catalonia Ave., Coral Gables, Fla. 33134. Principal has no other broadcast interests. Filed June 30.

■ Silver Springs, Fla.—Silver Springs Communications seeks 95.5 mhz; 3 kw; HAAT: 328 ft. Address: P.O. Box 836, 32699. Prinicpal is owned by Robert D. Stoehr and two others. Stoehr owns WQBQ(AM) Leesburg, Fla. Filed July 8.

■ Silver Springs, Fla.—Mark L. Wodlinger seeks 95.5 mhz; 3 kw; HAAT: 328 ft. Address: 4350 Shawnee Mission Parkway, Shawnee Mission, Kan. 66205. Principal owns Wodlinger Broadcasting Co., group of two AM's and one TV. Filed June 30.

■ Silver Springs, Fla.—Jim Johnson seeks 95.5 mhz; 3 kw; HAAT: 328 ft. Address: P.O. Box 1000, Bushnell, Fla. 33513. Principal has no other broadcast interests. Filed June 30.

■ Silver Springs, Fla.—Rosaila Bianco seeks 95.5 mhz; 3 kw; HAAT: 328 ft. Address: 153 Esther Dr., Cocoa Beach, Fla. 32931. Principal has no other broadcast interests. Filed June 29.

■ Silver Springs, Fla.—Sun Coast Communications Ltd. Partnership seeks 95.5 mhz; 3 kw; HAAT: 328 ft. Address: 1800 SE, 0475, Summerfield, Fla. 32691. Principal is owned by Sharon Gallagher Hall, and 25 others. Filed June 30.

■ Silver Springs, Fla.—Silver Radio Partners seeks 95.5 mhz; 3 kw; HAAT: 328 ft. Address: 1001 22nd St., Suite

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